

Message Text

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12

ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 NEA-14 ISO-00 FEA-02

AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00

FPC-01 H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01

PM-07 RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

PA-04 PRS-01 USIA-15 DRC-01 /225 W

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R 062111Z JUN 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 4105

INFO AMEMBASSY BEIRUT

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIMA

AMEMBASSY LONDON

AMEMBASSY PORT OF SPAIN

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMCONSUL DHAHRAN

USMISSION OECD PARIS

LIMITED OFFICIAL USE CARACAS 5132

E.O. 11652: N/A

TAGS: ENRG, VE

SUBJECT: VENEZUELA FAVORS INCREASING OIL TAXES

1. LOCAL PRESS QUOTES DEPUTY HYDROCARBONS MINISTER BAEZ AS SAYING THAT VENEZUELA WILL INCREASE TAXES ON OIL COMPANIES IN ORDER TO "AVOID EXCESSIVE PROFITS," BUT WILL MAINTAIN UNCHANGED
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ITS PETROLEUM TAX REFERENCE VALUES. VENEZUELA WILL SUPPORT AT QUITO OPEC CONCEPT OF INCREASING TAX RATE FROM 60 PERCENT TO 87 PERCENT. EMBOFFS HAVE HEARD SIMILAR COMMENTS IN RECENT DAYS FROM OFFICIALS OF MINISTRY OF MINES AND HYDROCARBONS, WHO MAINTAIN THAT PROPOSED CHANGE WOULD NOT REALLY AFFECT OIL PRICES SINCE THERE WOULD BE NO NECESSITY FOR COMPANIES TO PASS ALONG INCREASES TO CONSUMERS, GIVEN HIGH LEVEL OF OIL PROFITS THAT PREVAILED THIS YEAR.

2. COMMENT: WITH WORLD OIL PRICES NOW SUBSTANTIALLY BELOW AVERAGE VENEZUELAN TAX REFERENCE VALUE, LATTER IS MEANINGLESS FIGURE USEFUL ONLY FOR CALCULATING TAX LIABILITIES OF COMPANIES. CLEARLY TO INCREASE TAX RATE IS TO INCREASE COST OF OIL, WHICH IS MOST LIKELY TO RESULT IN OIL PRICES IN MEDIUM TO LONG TERM BEING HIGHER THAN THEY OTHERWISE WOULD HAVE BEEN. AN OFFICIAL OF ONE LARGE OIL COMPANY HERE (SHELL) ESTIMATES THAT IF VENEZUELAN TAX RATE WERE INCREASED TO 87 PERCENT WHILE OIL PRICES AND VENEZUELAN TAX REFERENCE VALUES REMAIN CONSTANT, HIS COMPANY'S TAX LIABILITIES WOULD INCREASE BY THREE TIMES AMOUNT THAT COMPANY EARNED IN PROFITS LAST YEAR.
MCCLINTOCK

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

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